

Information Services Board (ISB) Meeting Minutes

Department of Information Services Board Room, The Forum Building
Olympia, Washington
March 10, 1999

Members Present:

Charlie Baum
Joe Dear
Tom Fitzsimmons
Earl Heister
Steve Kolodney
Marsha Tadano Long

By teleconference:

Jayasri Guha

Others Present:

Paul Taylor

Members Absent:

Emilio Cantu
Jim Coolican
William Finkbeiner
Ed Lazowska
Mary McQueen
Cathy Wolfe

Call to Order

Mr. Joe Dear, Information Services Board (ISB) Chair, called the meeting to order.

Roll Call

Sufficient members were present to constitute a quorum.

Approval of Minutes

The minutes from the January 27, 1999, ISB meeting were approved.

Introduction of New Board Member

Mr. Dear introduced the newest Board Member, Earl Heister of Pacific National Laboratories in Richland, Washington. Mr. Heister is the Chief Information Officer for Pacific Northwest National Laboratories.

Department of Social & Health Services Electronic Benefits Transfer Update

Mr. Andy Marcelia, Senior Technology Management Consultant, Department of Information Services (DIS), provided an introduction of the Department of Social and Health Service's (DSHS) Electronic Benefits Transfer (EBT) system. Mr. Marcelia stated that DSHS has a contract with Citibank Services to implement and maintain electronic benefit transfer services to clients eligible for food stamps and cash benefits. Citibank would provide accounts and issue EBT debit cards for clients to access their benefits. He noted the status report given in November 1998 cited concerns about the project schedule and about the lack of effort by Citibank to meet the schedule. Full implementation of EBT under federal mandate is not due until October of 2002, but DSHS' goal is to be fully implemented, statewide, in November 1999.

DSHS started the implementation March 1, 1999, for new clients in the pilot counties only. Mr. Marcelia introduced Mr. Charles Reed, Deputy Secretary of DSHS, and Ms. Liz Dunbar, Assistant Secretary for Economic Services Administration.

Ms. Dunbar explained that EBT is mandated as part of the Federal Welfare Reform to be operational in all states for the Food Stamp Program Act by 2002. Washington made the choice to include cash benefits in the initial implementation. She said a lengthy contract negotiation process was used to ensure a strong contract that would hold Citibank accountable for the deliverables. She stated how the process would work -- clients would use their EBT card like a debit card, using a point of sale terminal in a grocery store with a personal identification number (PIN). They could also receive cash back from a point of sale purchase that would be deducted from their cash benefits. The card can also be used at ATMs for cash benefits.

This new system will provide efficiencies for both DSHS and the federal government for administration of paper warrants and paper coupons. In 1998, DSHS sent out approximately \$73 million in food stamps to approximately 200,000 households.

The original project plan had a February 1, 1999, pilot start date, but due to a number of delays on the part of the contractor, that date was not met. There were concerns about having enough ATMs and/or retailers signed up to provide adequate cash access to clients, particularly in rural areas of the state. Another area of concern was that the system would not allow DSHS to reconcile accounts. At that point, the contractor made revisions and DSHS was able to reconcile at the end of the month.

Under a "soft start" pilot that began on March 1, 1999, Ms. Dunbar said that all new clients in the pilot counties were issued EBT cards that were activated immediately for clients to receive their benefits. They will continue to monitor cash access before converting all existing clients in the pilot counties. The plan is to convert existing clients by April 1, 1999. Implementation of the remaining counties around the state will begin around June 1, 1999. They believe that they will now be able to meet the originally scheduled completion date of November 1999.

Mr. Steve Kolodney asked why DSHS was not using SMART card technology. Ms. Renia Nuehaeuser, Project Director, stated the reason why Washington chose not to use the SMART card was because the infrastructure is not available and retailers are not equipped to process that type of card.

Because of project delays, Mr. Reed stated that DSHS had filed for liquidated damages against Citibank. He further stated that the purpose of the pilot has been to identify problems early on and have them resolved. DSHS will be monitoring the project carefully to avoid difficulties for its clients as the implementation continues.

**Center for Information
Services Request for
Optional Use Contracts**

Mr. Marcelia said the Center for Information Services (CIS) for the Community and Technical Colleges would present an acquisition plan to establish a new convenience contract for the community and technical colleges to acquire Hewlett Packard (HP) personal computers and peripherals. The existing contract expires in August of this year.

There would be two uses of the resulting contract. It could be used by other state higher education institutions through an inter-local agreement for cooperative purchasing. It could also be used to take advantage of the follow-on provision in the acquisition policy that allows state agencies with like requirements to enter into their own agreement without going into the open market. This request for approval is similar to two other acquisitions that the Board approved for the CIS in the past. The first was the Gateway agreement and the second was a Compaq agreement. Mr. Marcelia stated that Mr. Jerry Woodard, Budget and Finance Director for CIS, would present the proposal to the Board.

Mr. Woodard stated that in 1998 the volume on the current contract was approximately \$27 million and has been growing at a rate of about 20% a year. Sales have increased from \$3 to \$5 million dollars per year. Assuming that CIS was awarded at least a three-year contract at \$27 million a year, the total dollar amount would be \$80 - \$81 million in sales by the end of the contract.

Mr. Woodard said CIS would conduct an RFP to establish a new contract, the terms and conditions of which would be based upon DIS recommended

standards and be reviewed and approved by CIS' Assistant Attorney General prior to execution. CIS would also invite participation in the RFP evaluation process by representatives from other entities, due to the significant level of follow-on use, to ensure no bias would be perceived in awarding the contract.

When presented with a new exhibit from CIS that details use, Mr. Tom Fitzsimmons noted that follow-on users are responsible for a disproportionately high percentage of the sales volume. Mr. Woodward said that the contracts are well suited to the business needs of the colleges, and are also often preferred by other public entities because of pricing and convenience. In their discussion, Board members raised a number of questions about the performance of the previous contract and the nature of the contracting vehicle itself. The Board requested a review of the practices associated with this and other optional use contracting with follow-on use provisions. A report will be prepared and its findings will be provided to the Board.

Mr. Fitzsimmons made a motion to approve the CIS acquisition for a five year contract.

The motion carried unanimously.

Advancing the Digital State

Mr. Paul Taylor provided a preview of the 1999 Information Technology (IT) Performance Report, the title of which is "Advancing the Digital State." He stated that for two years the Progress and Freedom Foundation has recognized this state's leadership in the effective use of digital technologies in service to the citizen. The judgment of the Progress and Freedom Foundation was ratified recently through a front-page article on state government management in *Governing Magazine* where Washington, in a fifty-state report card, tied for first place with three other states. Washington performed very well in all five categories with an overall average grade of A minus.

Mr. Taylor also presented the six-year average in state IT spending according to a recent survey taken in support of the performance report. According to the survey, Washington spent about \$536 million a year. Direct IT spending, that is, spending on hardware, software, and networks, is actually down but overall spending in the IT categories has increased slightly due to an increased reliance on outside services.

Another area that has been of interest to Legislators is the profile of the desktop. According to the information provided by state agencies to DIS, 50 percent of desktops are at the Pentium level, 12 percent at the Pentium II level, and the remaining 38 percent are a combination of 486, 386, and other (including, but not limited to, the Macintosh platform). He stated that this has come at a cost of \$650,000 a year spent on the desktop in refurbishment. If computers are going to be used as part of a web-delivered government, 38 percent of them would be subject to some kind of upgrade.

Mr. Taylor went on to say that the "Performance Report" details, at some length, illustrative examples of state agencies using the web to change the way they do business and deliver services. One example is the Department of Licensing which has a full range of downloadable forms and also has a vehicle excise tax calculator form available. Similarly, the Department of Revenue, with electronic tax filing, has changed the way businesses calculate and pay their taxes and it too was one of the underpinning applications for both the Government Performance project through Syracuse University, Governing Magazine, and the last Digital State Award.

Mr. Taylor introduced Mr. Dave Kirk, Manager of Strategic Initiatives, DIS, and Mr. Scott Bream, Project Manager of Strategic Initiatives, DIS, who presented some of the initiatives they have been working on with other state agencies.

Mr. Kirk stated that businesses that moved their services to the Internet found they were achieving some very important business benefits. First, they are drastically reducing their transaction costs or the costs to deliver a product or service. Second, they are extracting large amounts of time, effort, and expense, from internal business processes and third, they are increasing service value to their customer.

Mr. Kirk then turned the presentation over to Mr. Bream. Mr. Bream said in June 1998, DIS created the Digital Signature Pilot Project in conjunction with the Office of the Secretary of State. DIS was able to put together a policy, legal, and technical framework that allowed us to create secure, legally binding digital signatures for internal business use. DIS partnered with Department of General Administration (GA) in the vendor payment processes for goods and services

rendered to the state motor pool. The A19 project, as it was called, was moving forms from paper to electronic medium. The State Motor Pool Form A19 had required three signatures locally in Tumwater to be approved for payment. It was then sent via campus mail to GA for final approval and payment. Mr. Bream stated that they have been able to reduce processing time from more than 30 days to ten or fewer days by using the electronic medium. This efficiency allowed GA to realize early payment discounts.

The next form, developed with Department of Retirement Systems (DRS), was the Member Correction Form. The form was posted to a secure website. This allows employees to download the form, update their information, and return it to DRS. It increases the accuracy and the timeliness of the process. The result was reduced processing time, and elimination of transaction costs and labor-intensive manual processes, as well as improved customer service value.

Mr. Kirk discussed a multi-agency initiative to use the Internet to start delivering a single interface to government service. The agencies would include Department of Licensing, Department of Revenue, Labor and Industries, Employment Security, and the Secretary of State. Representatives from each of these agencies made up the Unified Business Identifier (UBI) Board. The goal of the UBI Board is to create a one-stop service center so that those agencies can provide registration and licensing functions to our business community.

Mr. Dear said that this was a watershed moment for the Board in that the state seems to have entered a period where the project application developments are running reasonably well and do not dominate the Board's attention. He said that it was his hope that the Board will now be able to encourage agencies to take calculated risks in applying new technology in a disciplined way.

He said that these technologies have the opportunity to greatly improve service to citizens who, as customers, have had their expectations about services changed forever by the astronomical growth of e-commerce in the private sector. He also said that there are huge opportunities to take costs out of the operation of government and that there is a role for

the Board and a role for DIS and others to create a sense of urgency about finding ways to put this technology to work and getting it to work, soon.

Mr. Steve Kolodney said there are a number of things that the Board can do to help this process along. He said state government has to share various pieces of infrastructure, agree on certain protocols and standards, and work together on these developments and we have to follow agreed standards within the community. He said security becomes a much bigger issue on the network in this new environment than it has ever been before. He also said that there are certain matters related to this infrastructure that ought to be reserved for the Board and exempted from delegated authority.

Mr. Dear and Ms. Jayasri Guha concurred. Ms. Guha added that a common infrastructure and a common approach is important to properly leveraging the state's investment in IT.

Employment Security Department Guide Project

Mr. Stan Ditterline, Senior Technology Consultant, DIS, introduced Mr. Carver Gayton, Commissioner, Employment Security Department (ESD), and Mr. William Atkins, Managing Director of Global Quality and Risk Management for Deloitte & Touche Consulting.

Mr. Gayton gave a historical overview of the General Unemployment Insurance Development Effort (GUIDE), the lessons learned, and what is being done to move forward. The Washington GUIDE effort spans nine years from the initial project in 1989 to final acceptance in 1998. Given the size, time span, and success of the project, there were some important lessons to be learned. Mr. Gayton stated that recommendations from an independent assessment consultant suggested a deliverables-based contract with predefined deliverable acceptance criteria. A contract with clear and shared expectations, clear authority, responsibility and accountability within ESD, system development lifecycle methodology, and 100% dedication of assigned staff to the project was prepared.

In 1993, the ISB approved the continuation of the project, with a new RFP for a fixed price, performance based contract. A contract was awarded to Deloitte Consulting. Mr. Gayton stated that in 1995 the legislature increased the GUIDE proviso by

\$25 million to accommodate increases in scope caused by state and federal legislation as well as superior decisions. In 1996, GUIDE was implemented statewide. In 1997, Deloitte Consulting agreed to pay the project expenses in excess of the proviso monies. With all GUIDE functions constructed by January 1998, the user acceptance test began. In March 1998 ESD conditionally accepted GUIDE and in December 1998 accepted the final deliverables.

Mr. Gayton said the lessons learned included understanding the value of partnering with the vendor and strong staff commitment to the goals of the project. Success factors included improved performance in first paid timeliness for unemployment insurance benefits. Mr. Atkins emphasized the success of the project was due to the people who worked through the issues in a cooperative manner.

Mr. Dear commented that risk sharing the contracts is one of enormous attraction and thanked Deloitte for sharing its observations.

Legislative Update

Ms. Erika Lim gave an update on the legislative landscape. Two bills of interest to the Board are DIS agency request bills. One is the Portfolio Management Bill that will change the DIS enabling statute to reflect the principles of portfolio management. It is currently being considered by the Senate.

Another DIS request bill would create an exemption in the Open Public Records Act for software, for core code that is owned or developed by government.

Ms. Lim stated that another request bill from the Secretary of State and Governor Locke is the Digital Signature Bill and has to do with Electronic Commerce. It was awaiting action by the Senate.

Ms. Lim stated that there were two bills regarding governance of the K-20 network that have provisions that will directly affect the Board. Under the Senate bill, the ISB would additionally be charged with enforcing technical conditions of use for the network users and for appointing a technical advisory committee. Under the House version of the bill, the ISB would actually be the body that would be in charge of the governance and the oversight of the network. A users' steering committee would function as an advisory committee to the ISB. The ISB would

have the authority to delegate some of its governance and oversight duties to the technical committee, but the actual authority would be given to the ISB to run the K-20 network. The ISB would also be given rule-making authority for conditions of use and acceptable use policies for the network.

Ms. Lim stated that another bill that had to do with the K-20 network is a memorial to Congress requesting action on Washington state's E-Rate application that has been pending before the FCC for 18 months.

She stated that there were two bills regarding Y2K. The first one is a joint request bill from the Department of General Administration and DIS. This bill will limit the liability of state and local governments for Y2K problems to only the percentage of the damage that was actually caused by the negligence or action/inaction of government. Currently the state could be held 100% responsible for monetary damages even though it is only partially responsible for harm. The other is a consumer credit protection bill which prevents creditors from suing individuals who are unable to meet their credit obligations because of a Y2K problem that is out of their control. It is largely to protect individuals.

Ms. Lim said that there are two bills that will permit the donation of surplus computers to schools and food banks. Another bill that passed off the House floor will add two members to the ISB, two additional legislators, one from each chamber so there would be a total of four.

**Portfolio-based IT
Management and Oversight**

Mr. Taylor said there are 13 agencies developing portfolios. They have been reporting on a monthly basis to DIS and working with DIS staff consultants. The agencies are working towards a goal having their baseline portfolios completed by June 1, 1999.

New Business

None

Adjournment

The meeting was adjourned.